

Deloitte.

The Hotel Property Handbook 3.0

Investment & Financing Keys

Spain 2018

Executive Summary



July 2018

Financial Advisory | Real Estate & Hospitality

1 Macro Overview



2017 has been a landmark year for the Tourism Industry, however, there are some uncertainties on the spotlight

- **GDP** growth: **+3.1% 2017** (+2.5% 2018F).
- **Tourism** accounted for 11.2% of the total Spanish GDP 2017, far above EU's average (9.6%). (latest data available).
- **The unemployment rate** in 2017 was 16.4% (vs. 9.1% in the Euro Area). Spain reached 18.9m employees, the best figure since 2008.
- **Tourism-related employments** grew by 4.4% CAGR (2013-2017) and represented 12% of the Spanish employments in 2017.
- Spain attained the world's **1st place in the WEF's Travel & Tourism Competitiveness Index Report (2017)** for the second consecutive time (*published biannually*).

2

Supply & Demand



- **5th consecutive year of historical record in tourist demand:** 81.8 m tourists visited Spain in 2017, +8.6% compared to 2016 (75.3 m). **First signs of growth deceleration during 2017Q4**, from +4.5% in Q3 to 2.9%, due to political uncertainties and progressive recovery of alternative destinations.
- **Hotel Openings** and **full Repositioning** recovery consolidated during **2017** (+74 Hotels and 12,535 rooms), while **Hotel Refurbishments** reached cruise speed after a strong rebound in 2015-2016 (+124 hotels and 17,293 rooms). **Dynamic future supply Pipeline** with +30,600 rooms expected for 2018-2020.
- **Key Performance Indicators** continue their upward trend for the 8th consecutive year, with **+10% RevPAR** growth over 2016 data. **Vacational destinations** evidence a slight RevPAR growth deceleration with +8.8% CAGR 13-17). While **Urban destinations** are on the up, registering +9.3% RevPAR CAGR 13-17.
- >65% of Spanish Hotel supply is obsolete with an avg. age of c. 9.3 years. **Smart CapEx investment (c.€2,200m)** is **top priority for 2018** in order to face the high competitive context and achieve operating metric premiums.

4

Financing Activity



- **Strong appetite by Spanish traditional lenders** to finance Hotel Properties on a general basis due market gaining momentum.
- Increasing financing demand for **prime development projects, including refurbishment, repositioning and greenfield.**
- **Caixabank, Santander, Sabadell**, are the most active senior loan facilities providers so far for this asset typology.

3

Hotel Properties Investment Market



- **Worldwide Hotel Properties** investment **decreased by 10%** in 2017 with €51bn.
- **EMEA investment allocation accounts for 30%** of worldwide activity, registering +5% growth vs. 2016 data.
- **Hotel Properties segment** keeps **gathering momentum in Spain**, registering €3,090m, **+44% over 2016 transaction volume**, accounting for 29% of the total non-residential investment.
- **Optimistic 2018 prospects** with **€2,400m in transaction volume as at 2018YTD**. There is currently an **investment pipeline** in Spain of **€4,200m** expected to be traded in the following months.

5

Key Investment Indicators



4* Hotel Category data	GOP (€/room) Min. - Max.	Cap. Value (€/room) Min. - Max.	Yield (€) Min. - Max.
Vacational Hotspots			
Andalusia	€6k - €12k	€60k - €125k	6.50% - 7.75%
Catalonia	€5k - €8k	€50k - €80k	7.00% - 7.75%
C. Of Valencia	€6k - €8k	€60k - €100k	7.00% - 7.75%
Balearic Islands	€6k - €15k	€125k - €150k	6.25% - 7.25%
Canary Islands	€6k - €20k	€120k - €200k	6.25% - 7.00%
Urban Hotspots			
Barcelona	€16k - €22k	€300k - €400k	5.00% - 5.50%
Madrid	€16k - €20k	€250k - €350k	5.25% - 5.75%
Valencia	€10k - €14k	€100k - €180k	6.25% - 6.75%
Malaga	€16k - €20k	€200k - €300k	5.50% - 5.75%
Sevilla	€10k - €14k	€120k - €200k	6.25% - 6.50%

Source: Deloitte



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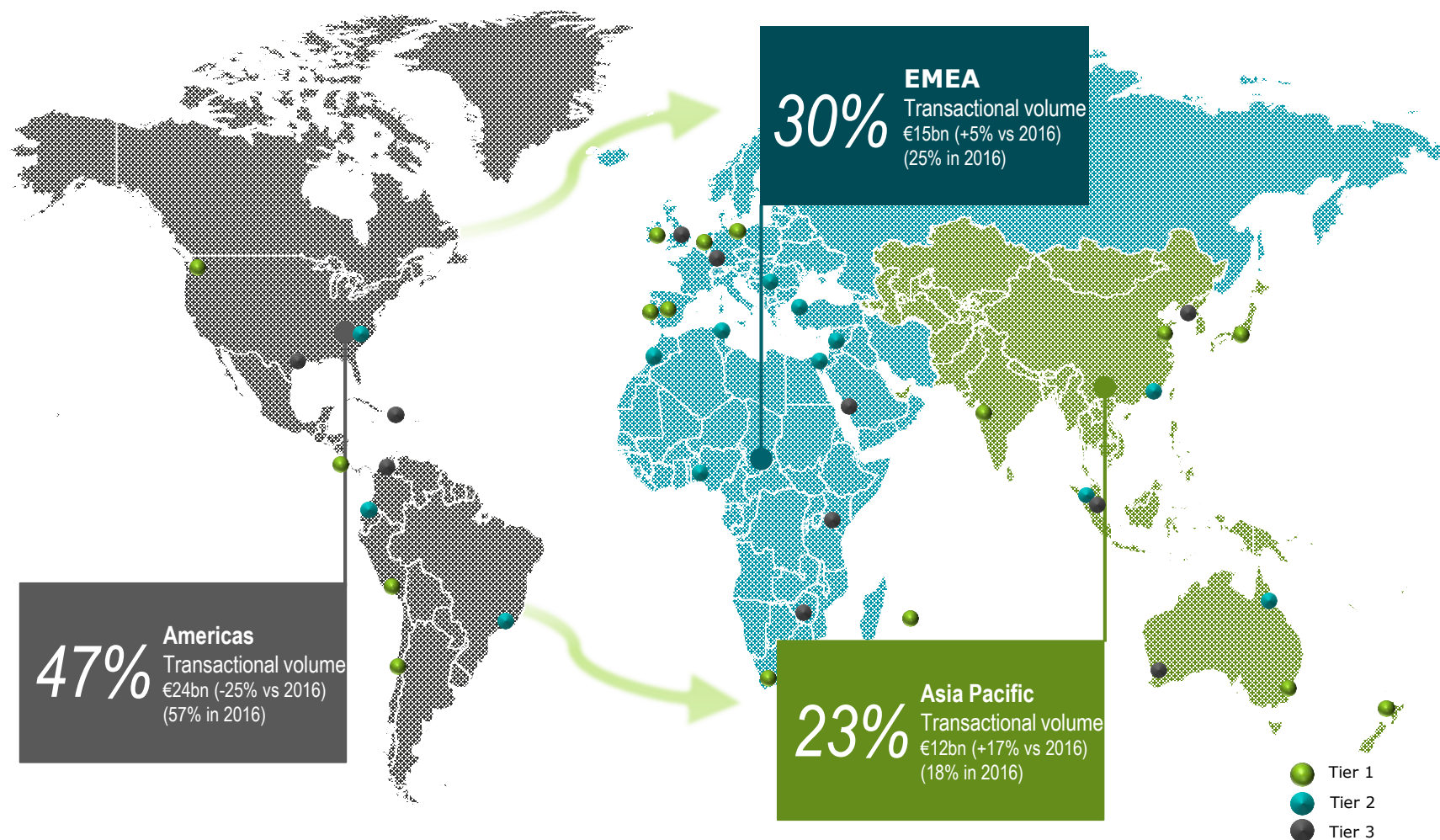
EMEA region with **€15bn** registered,
30% of total international investment.

2018 -2019 prospects are cautiously optimistic since upcoming challenges are still to be seen.



Hotel Global Investment: The Big Picture

Despite the **over-optimistic context**, the total international investment activity (**€51bn**) has experienced a **10% downturn** when compared to 2016.



Source: Deloitte, RCA

EXECUTIVE SUMMARY

European Top Buyers and Sellers Last 24 months

Top 5 Buyers (Last 24 month)		
	Acq (€)	Props
Fonciere des Murs	€1,930m	56
Pandox	€1,502m	30
Investment Consortium lead by Kuwait Invest. Auth	€1,486m	5
Fattal Hotels	€1,244m	36
DekaBank	€1,148m	16

Top 5 Sellers (Last 24 month)		
	Acq (€)	Props
Lone Star	€1,920m	84
Blackstone	€1,872m	53
Starwood Capital	€1,264m	22
Brookfield AM	€875m	11
Invesco	€656m	16

Source: RCA – Real Capital Analytics

Props: N° of Properties

Investment activity in **European Hotel Properties** reached a **record high of €15bn in 2017**, representing a **+5%** increase on **2016**.



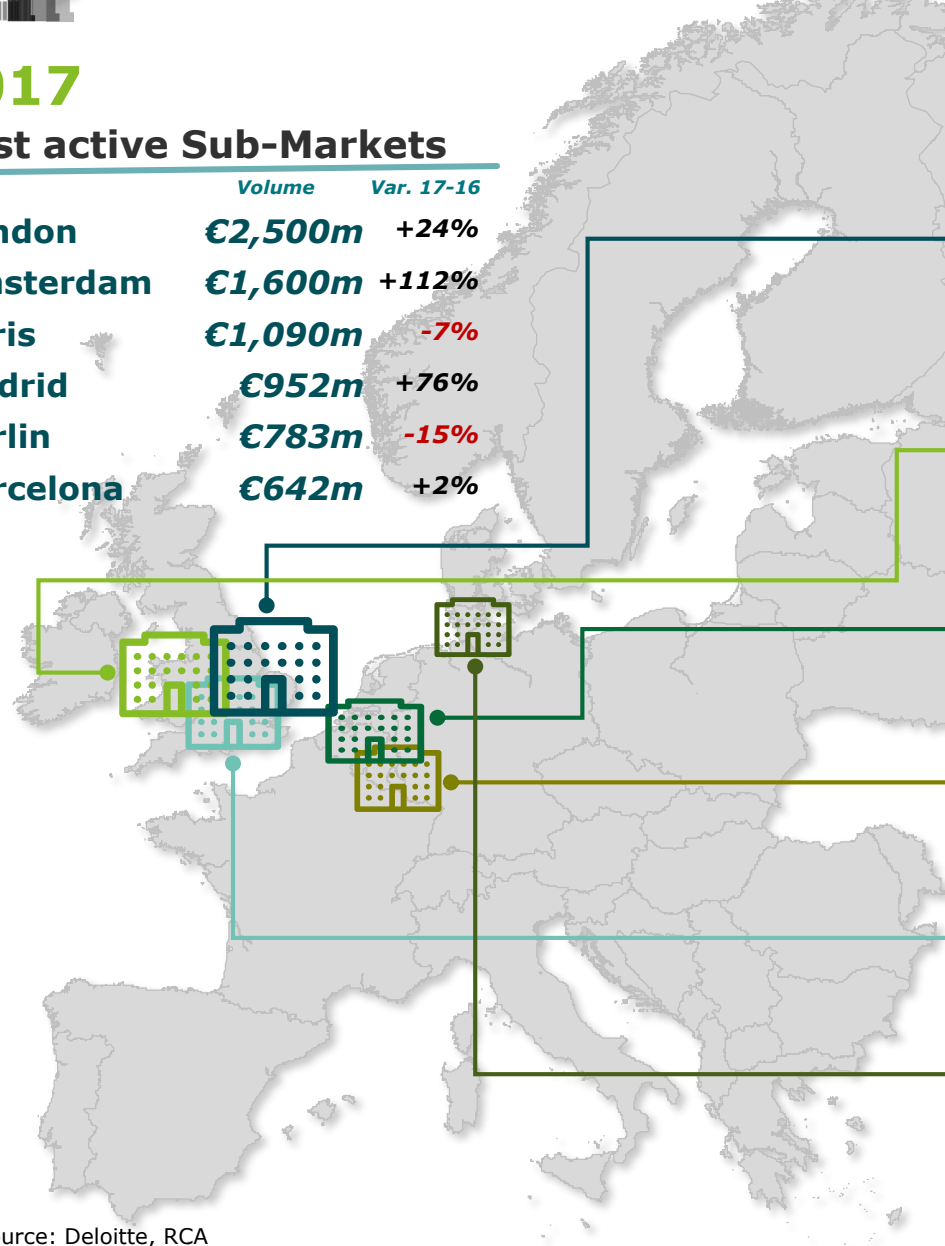
While European Mega-Deals are paving the ground...

The **European Hotspots** are rather heterogeneous.

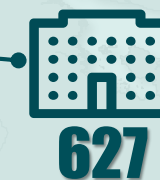
2017

Most active Sub-Markets

	Volume	Var. 17-16
London	€2,500m	+24%
Amsterdam	€1,600m	+112%
Paris	€1,090m	-7%
Madrid	€952m	+76%
Berlin	€783m	-15%
Barcelona	€642m	+2%



2017 Single Asset Mega-Deals



627

Ashkenazy Acquisition
acquires
Grovenor House Hotel
494 units in London



506

Kuwait Investment Authority acquires
Hilton London Metropole
1,059 units in London



356

Anbang Insurance acquires
Doubletree Amsterdam
557 units in Amsterdam



260

Deka Immobilien acquires
W Amsterdam
238 units in Amsterdam



221

Westmont acquires
Doubletree Westminster
460 units in Westminster



215

Wenaasgruppen acquires
Bella Sky Comwell
812 units in Copenhagen

Data: Million €

Source: Deloitte, RCA

EXECUTIVE SUMMARY



2017 - 2018 Key Insights!

The spotlight reflects cautiously Optimistic forecast due to some geo-political upheavals.

✓ Robust Economic Outlook

- GDP Growth rates for the Eurozone have beaten expectations with +2.4% in 2017. This solid growth is set to continue in 2018-19 with +2.3%.

✓ Upsurge of Tourism Dynamics

- International tourism demand registered record-breaking figures with c.671 million visitors (+8% 2016), +5% expected for 2019.
- Southern European destinations registered a +13% growth of international visitors.
- The RevPAR solid rise has been underpinned by Europe's hotel Occupancy level increasing by +10% above the 2008 levels.

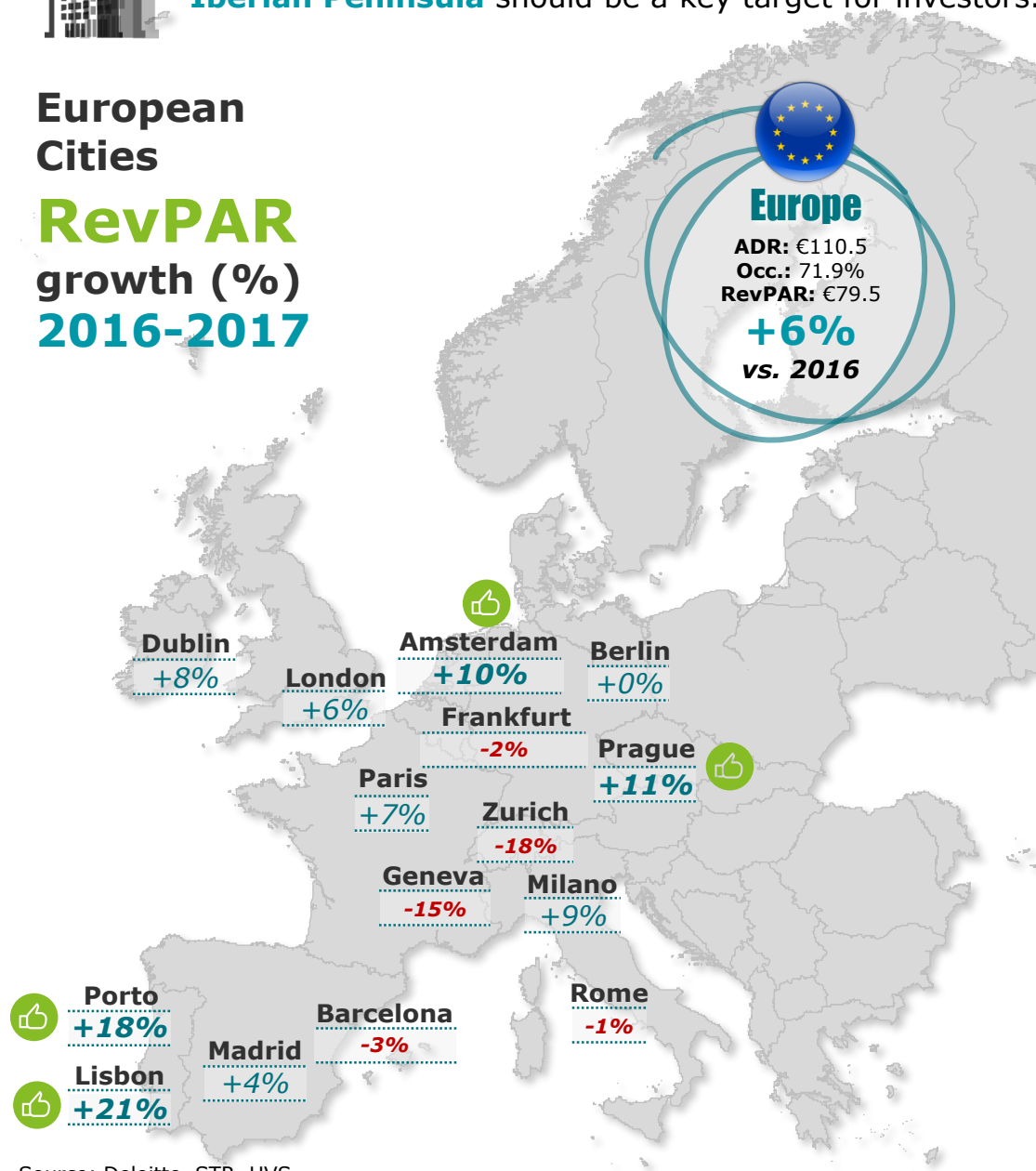


Performance remains aligned with investment flow

Iberian Peninsula should be a key target for investors.

European Cities

RevPAR growth (%) 2016-2017



2018 RevPAR FORECAST WHO'S UP? WHO'S DOWN?

Outperforming markets

Madrid	+11%
Porto	+10%
Prague	+10%

Healthy markets

Dublin	+8%
Amsterdam	+7%
Lisbon	+7%
Milan	+4%
Paris	+4%
Barcelona	+3%
Rome	+2%
Berlin	+1%

Underperforming markets

Geneva	0%
Frankfurt	0%
London	-4%
Zurich	-4%

EXECUTIVE SUMMARY

Europe has experienced a **global yield compression** since 2013, which has resulted in significant **rise in Capital Values**.

Overall, European Values are only 5% below their market peak in 2007.

2018 - 2019 European Hotel Market

Drivers:

- ✓ The Eurozone is on the pace of expansion after recovery from a period of financial crisis.
- ✓ Outperforming growth of peripheral Eurozone Economies.
- ✓ Long feeder markets are gaining momentum lead by China.

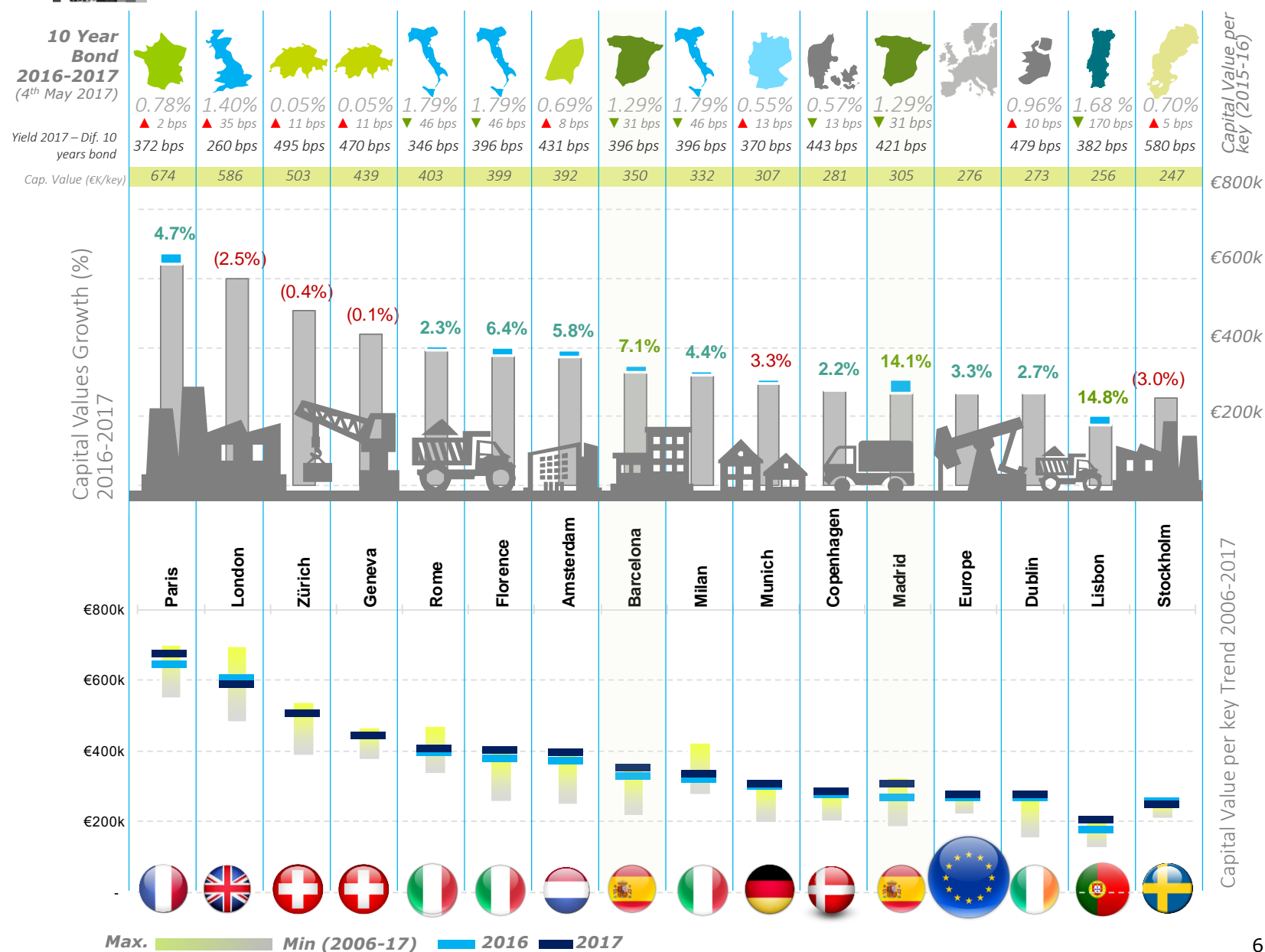
Disruptors:

- ? Uncertainty related to Brexit.
- ? Supply and demand imbalance, whether from supply constrains or oversupply projections, hindering performance.
- ? Non-regulated and uncontrolled tourist accommodation growth is having an impact on hotel overnights.
- ? Alternative Destinations are experiencing a progressive recovery



Capital Values (€k/key):

Madrid, Barcelona and Lisbon outperform their European peers.



EXECUTIVE SUMMARY



European Investment allocation dilemma

The classic lose the pace while **Madrid, Barcelona and Lisbon** gathers momentum



Capital Value
€K/key

High

€700K

€550K

€400K

€250K

€100k

Low

Underweight

Cash-Cow

Question

Overweight

London

Paris

Zurich

Geneva

Amsterdam

Rome

Florence

Munich

Barcelona

Milan

Madrid

Lisbon

Porto



RevPar (c)

Source: Deloitte, Exceltur



Yield (%)

Europe

Key Investment Indicators (2017):

City	RevPar 2017 (€)	Capital Value (€k/key)	Yield (%)
Paris	€86	€674k	4.50%
London	€87	€586k	4.00%
Zürich	€102	€504k	5.00%
Geneva	€76	€440k	4.75%
Rome	€73	€403k	5.25%
Florence	€78	€400k	5.75%
Amsterdam	€78	€392k	5.00%
Barcelona	€74	€350k	5.25%
Milan	€56	€332k	5.75%
Munich	€58	€307k	4.25%
Madrid	€51	€306k	5.50%
Copenhagen	€46	€281k	5.00%
Lisbon	€88	€248k	5.50%
Porto	€70	€205k	5.50%

Source: Deloitte

Quadrant Understanding

Underweight

Cash-Cow

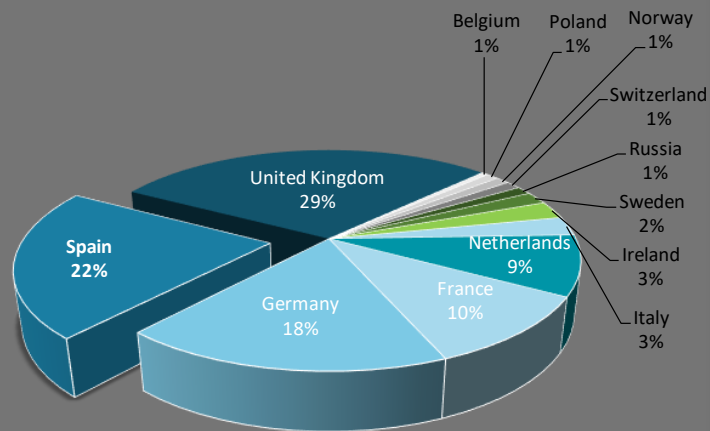
Question

Overweight

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**22% of 2017
Total Hotel Investment**



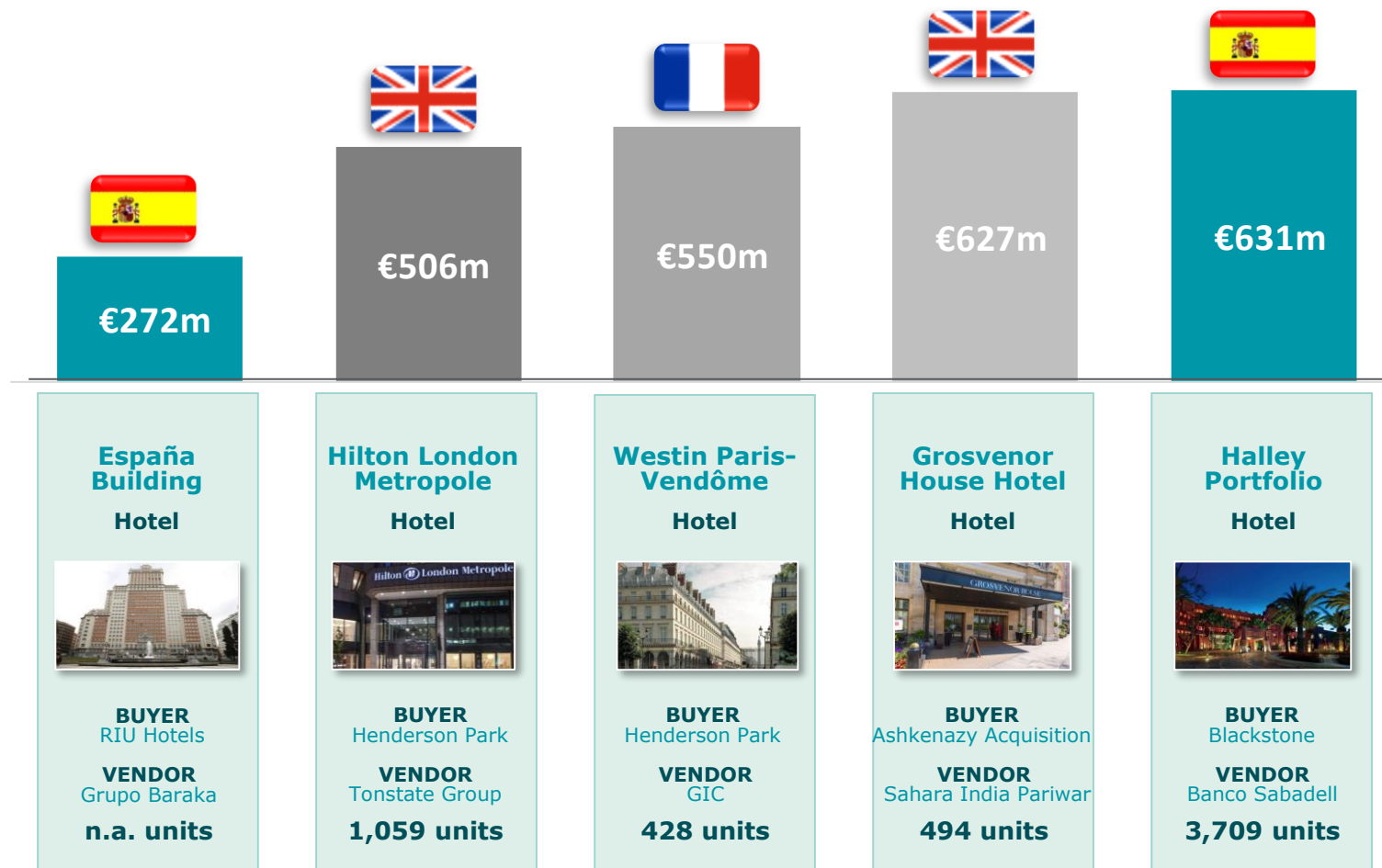
Source: Deloitte



European Investment Hotel Market

Spain accounted for **22%** of the total investment activity.

Halley Portfolio (**Spain**) with **€631m** of Investment Volume was the main transaction in Europe in 2017.



Source: Deloitte

Ritz Carlton Abama 5* - 461 Rooms
HI Partners Portfolio

EXECUTIVE SUMMARY

European Yields & Capital Values (2017):

City	Country	Cap. Value (€k/key)	Cap. Value CAGR (13- 17)	Lease Yield (%)	Mngmt. Risk Premium
Paris	France	€674k	0.1%	4.50%	100
London	UK	€586k	(1.6%)	4.00%	150
Zürich	Switzerland	€504k	0.1%	5.00%	75
Geneva	Switzerland	€440k	0.7%	4.75%	75
Rome	Italy	€403k	2.8%	5.25%	100
Florence	Italy	€400k	6.4%	5.75%	100
Amsterdam	Netherland	€392k	7.4%	5.00%	75
Barcelona	Spain	€350k	9.5%	5.25%	75
Milan	Italy	€332k	4.0%	5.75%	75
Munich	Germany	€307k	3.4%	4.25%	125
Madrid	Spain	€306k	13.4%	5.50%	75
Copenhagen	Denmark	€281k	7.0%	5.00%	175
Europe		€276k	3.6%	5.75%	125

Source: Deloitte

7 Spanish transactions are included within the **Top 25 European deals.**

✓ **Blackstone's** purchase of **Halley Portfolio** (14 hotels and 3,709 rooms) was the most relevant transaction within the European Investment Market accounting for **c.€631m.**



European Hotel Investment breakdown

Spain accounted for **€4,295m** of Top 12 European Hotel Investments.

#	Country	Asset / Portfolio	Units	Purchase Price (€m)	Buyer	Vendor
1	Spain	Halley Portfolio	3,709	631	Blackstone	Banco Sabadell
2	United Kingdom	Grosvenor House Hotel	494	627	Ashkenazy Acquisition	Sahara India Pariwar
3	France	Westin Paris	428	550	Henderson Park and Kuwait Inv Authority	GIC
4	United Kingdom	Hilton London Metropole	1,059	506	Henderson Park and Kuwait Inv Authority	Tonstate Group, PBC Group and Destiny Ltd
5	Spain	Building Torre España	650	272	Riu Hotel Group	Baraka Group
6	Spain	Starmel Hotels JV	2,068	230	London & Regional Properties	Starmel (JV Starwood Capital and Meliá)
7	United Kingdom	Doubletree Westminster	460	221	Westmont	Blackstone
8	Germany	Radisson Blu Hotel Hamburg	556	200	Wenaasgruppen	Azure Property Group
9	United Kingdom	Park Plaza London Waterloo	494	184	CBRE Global Investors	PPHE Hotel Group
10	Spain	Bay hotels (24% stake)	n.a.	172	Hispania	Barceló Hotels & Resorts
11	Spain	Hilton Diagonal Mar (Stake 45%)	195	150	Axa IM	Iberdrola Inmobiliaria
12	Germany	Holiday Inn Munich City Centre	582	136	Invesco	Apollo Global RE
13	United Kingdom	Hilton London Olympia	405	131	HPL Hotels	Westmont, Oaktree
14	Germany	Motel One Upper West	580	123	Signa Group	RFR Holding
15	Italy	Nova Yardinia Resort	790	120	Serenissima SGR	Greenblu, Valentino Village / SO.F.IN. (Sofin)
16	Spain	Villaitana Hotel	455	114	HI Partners	Xeresa Golf
17	Spain	Lopesan Sub-Portfolio	856	104	HI Partners	Lopesan
18	United Kingdom	Jurys Inn Birmingham	445	102	Fattal Hotels, Pandox	Amaris Hospitality
19	Germany	Hotel Pullman Munich	337	102	CDL Hospitality REIT	Grove International, Event Holding GmbH
20	Spain	Intertur Hotels Portfolio	1,126	100	KKR and Dunas Capital	Intertur Hotels
21	United Kingdom	Hilton London Heathrow (T4)	398	91	Pandox	Davidson Kempner
22	United Kingdom	Jurys Inn Croydon	240	90	Pandox and Fattal Hotels	Amaris Hospitality
23	Germany	Arcotel John F	193	86	Rheinische Versorgungskassen	LaSalle, Arab Investments Ltd
24	Germany	Holiday Inn Leuchtenbergring	279	84	Real IS AG	Munchner Grund
25	United Kingdom	Jurys Inn Glasgow	321	82	Pandox and Fattal Hotels	Amaris Hospitality
28	Spain	Silken Barcelona	240	80	Benson Elliot	Bank of America Merrill Lynch
30	Spain	Ritz-Carlton Abama (Stake 50%)	461	75	HI Partners	Familia Polanco
32	Spain	Blue Sea Portfolio	2,446	70	Portobello	Blue Sea
33	Spain	Cala Romántica Hotel	267	70	Grupo Batipart	n.d.
54	Spain	Silken Puerta de América	315	48	Bank of America Merrill Lynch	Grupo Urvasco (Silken)
62	Spain	NH Málaga	133	41	Hispania - SOCIMI	NH Hotel Group
66	Spain	Dolce Sitges	263	40	Talus Real Estate	Oaktree
67	Spain	Pueblo Camino Real	524	40	Logitravel	n.d.
77	Spain	Tryp Barcelona Condal Mar	178	37	n.d.	Acciona
88	Spain	Valle Romano 430 Apartamentos	850	32	HIG	Neinor Homes
95	Spain	B&B portfolio (8 activos)	782	30	Corum AM	B&B Hotels
96	Spain	MiM Sitges	77	30	Leo Messi	Francisco Sánchez
108	Spain	Vincci Selección Posada del Patio	106	27	Internos Global Investors	Dos Puntos
109	Spain	Sandos San Blas	331	27	Socimi Bay Hotels&Leisure	Hispania
110	Spain	Innside Madrid Génova	65	26	Grupo Armando Álvarez	EDTL

Note: Investment Markets analysed - Spain, UK, France, Germany and Italy.
Source: Deloitte

EXECUTIVE SUMMARY

Top European cities are plucking up the construction and development of new rooms.



Top 6 cities in Europe	Existing rooms	Ongoing hotel	Ongoing rooms	Ratio
London	142,037	78	7,500	5%
Munich	40,531	19	4,000	10%
Istanbul	57,029	20	3,900	7%
Moscow	49,341	16	3,600	7%
Dublin	22,000	31	3,200	15%
Lisbon	21,400	30	2,700	13%
Main cities in Spain				
Madrid	55,583	11	2,100	4%
Barcelona	74,091	6	1,507	2%
Vacational destinations in Spain				
Balearic Islands	167,557	29	6,394	4%
Canary Islands	108,301	19	4,570	4%

Source: Deloitte

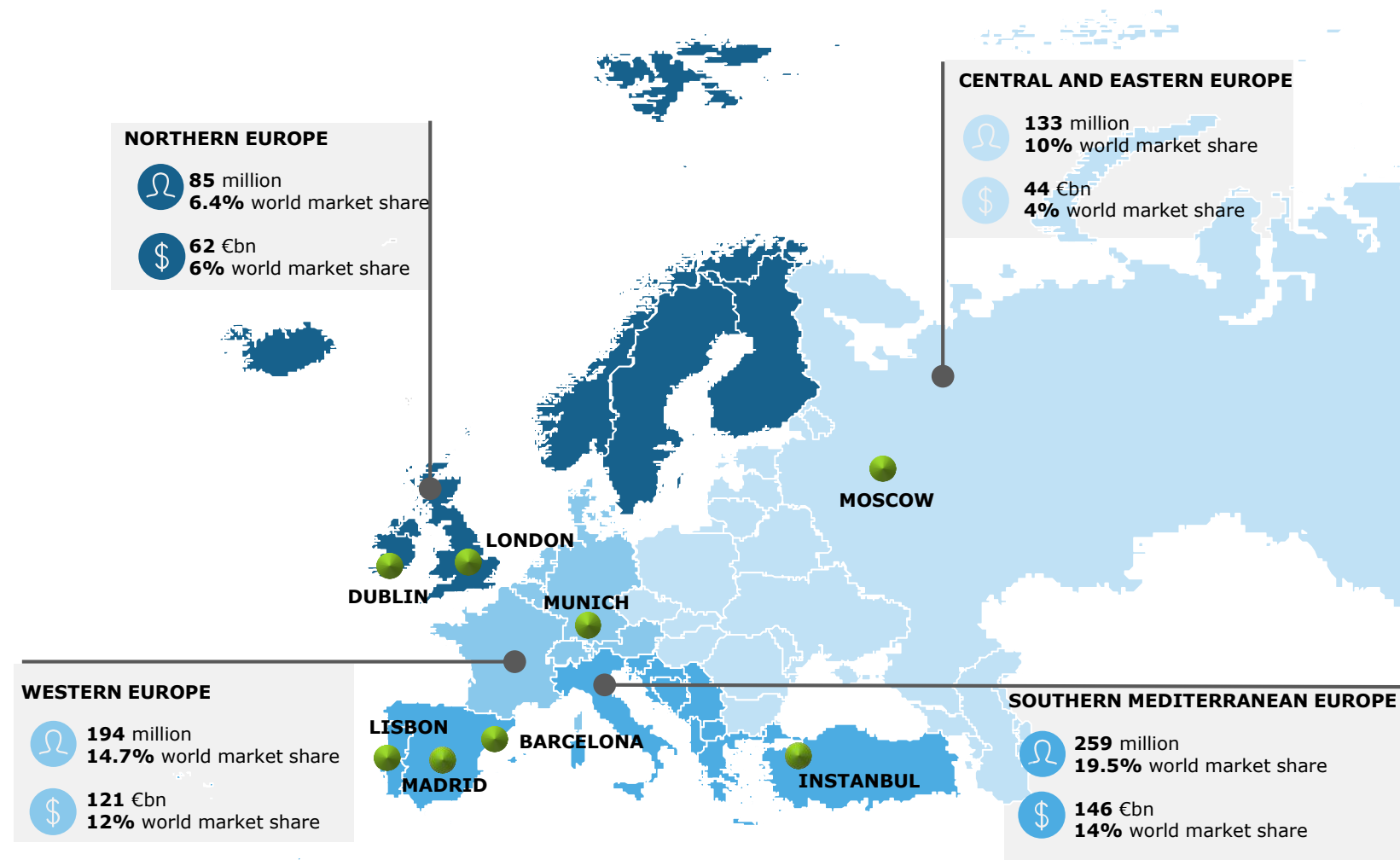
The hotel construction rebound is a positive indicator of where demand is growing.

The 2018-2019 hotel pipeline momentum continues to shift since European Cities are back on track.



Who is playing the development game?

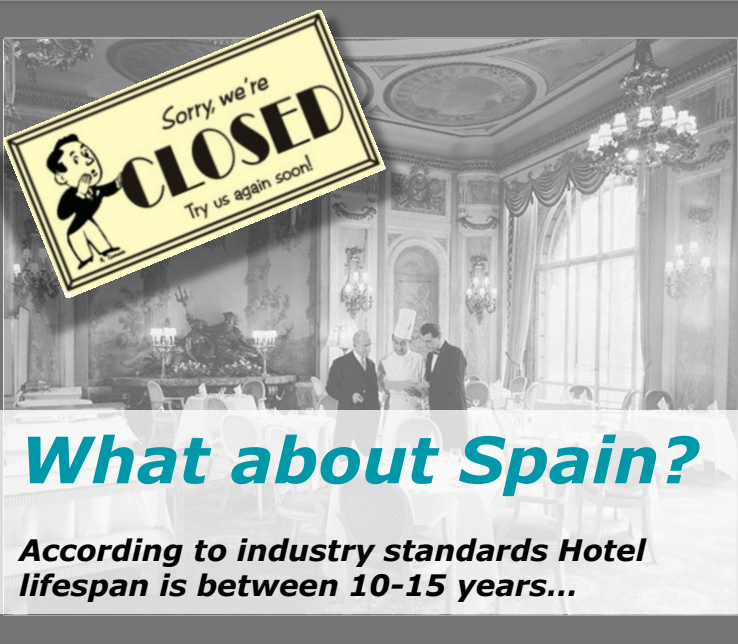
Dublin, Lisbon and Munich have taken the lead with double-digit activity ratio while Madrid and Barcelona are surprisingly lagging behind...



Source: Deloitte, UNWTO

Note: International expenditure latest available data 2016.

EXECUTIVE SUMMARY

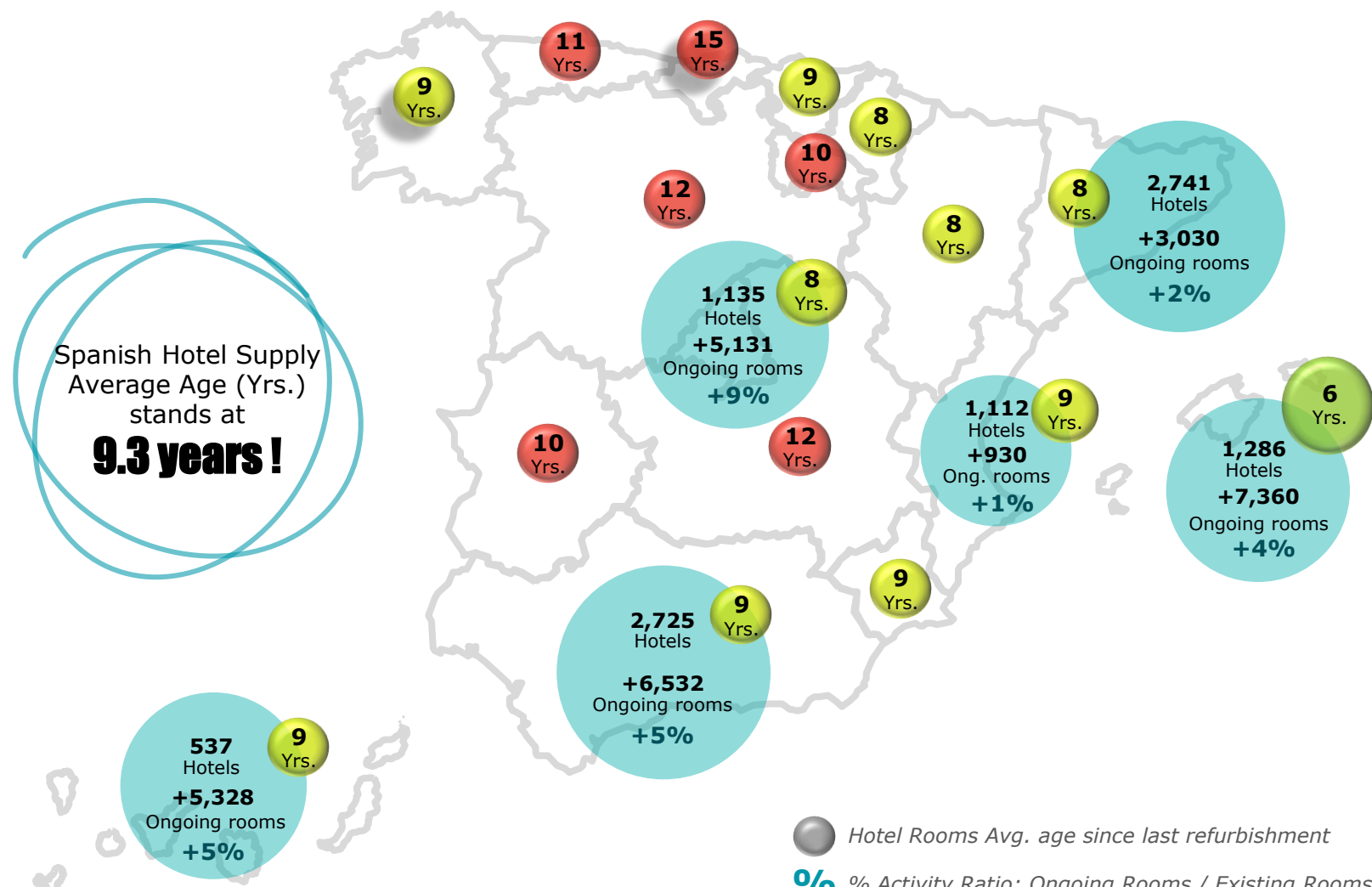


Refurbishment and Repositioning are **2018 top priorities** in order to achieve full potential value



Spain: An obsolete Hotel inventory

>65% of Spanish Hotel supply is obsolete and existing supply is experiencing a near-zero growth (+0.1% CAGR 13-17). However, the **Balearic Islands** have taken the lead in the repositioning of the hotel stock.



Note: Data by Region
Source: Deloitte, INE, Alimarket



The Hotel Property Handbook 3.0
Spain 2018

EXECUTIVE SUMMARY

MAJOR OPPORTUNITIES!

4*HOTELS Canary Islands,
Andalusia and Balearic Islands
require 68% of the total CapEx
investment for the 2018-2022 period.

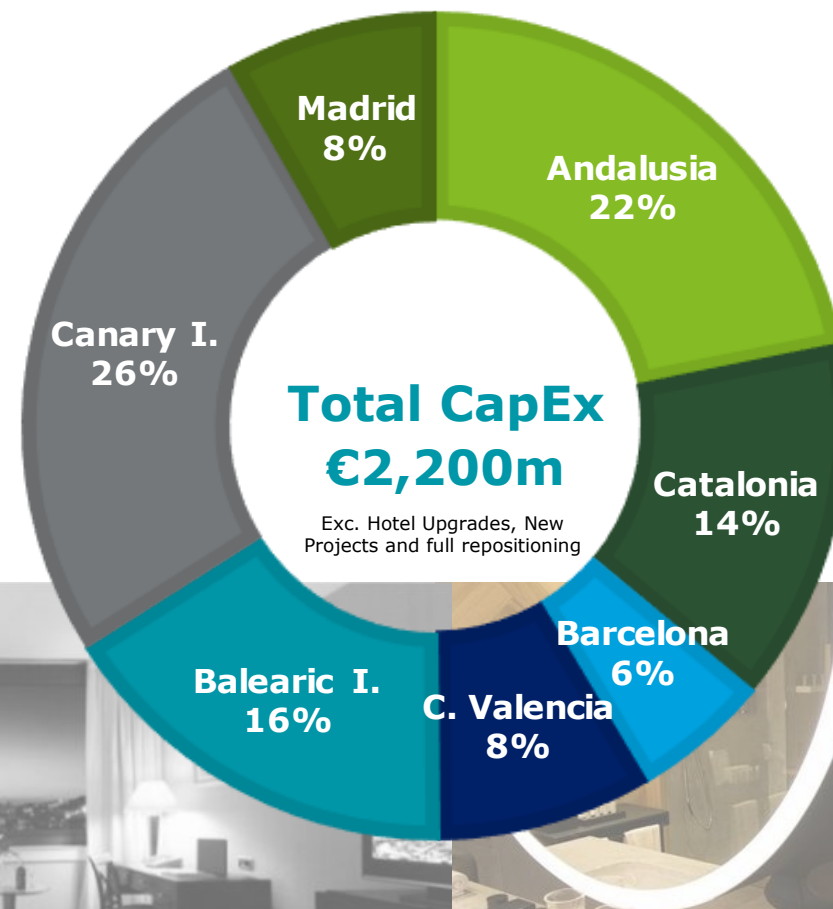


Smart CapEx: the success factor for equity and lending players

The total CapEx investment for Spanish Hotel Properties over the next five years amounts to **€2,200m**.

2018-2022

Estimated CapEx allocation per region

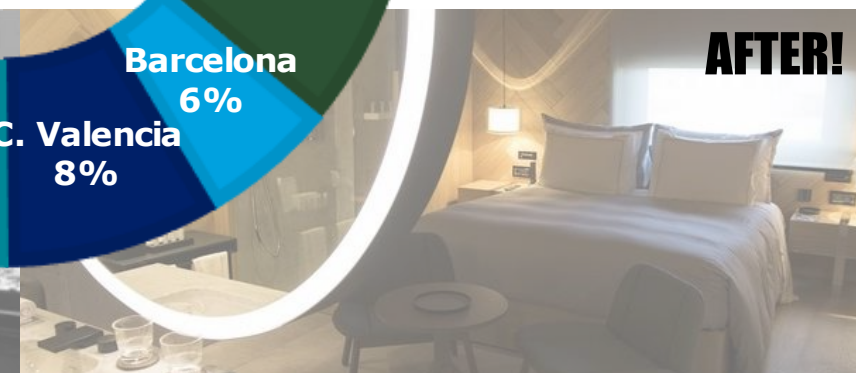


BEFORE...



Princesa Sofía Hotel 5*
Barcelona, Built in 1973

AFTER!



Princesa Sofía Hotel, Barcelona
Last complete renovation in 2017,
accounted for €60m, €120k per room.

Smart CapEx (€k/key) breakdown:

Region	5*GL	5*	4*
Andalusia	€15.5k - €16.5k 14 Yrs. 1,850 Rooms	€5k - €6k 7 Yrs. 2,000 Rooms	€5k - €6k 10 Yrs. 27,400 Rooms
Catalonia	€8k - €10k 8 Yrs. 800 Rooms	€5k - €6k 7 Yrs. 2,300 Rooms	€4.5k - €5.5k 9 Yrs. 25,000 Rooms
Community of Valencia	€9k - €11k 9 Yrs. 150 Rooms	€3.5k - €5.5k 9 Yrs. 750 Rooms	€5k - €6k 10 Yrs. 10,700 Rooms
Balearic Islands	€3.5k - €5.5k 5 Yrs. 330 Rooms	€6.5k - €8.5k 6 Yrs. 4,000 Rooms	€2.5k - €3.5k 6 Yrs. 20,900 Rooms
Canary Islands	€10.5k - €12.5k 10 Yrs. 1,900 Rooms	€9.5k - €10.5k 11 Yrs. 7,350 Rooms	€5k - €6k 10 Yrs. 31,250 Rooms
Madrid	€18.5k - €20.5k 16 Yrs. 600 Rooms	€4k - €6k 5 Yrs. 1,000 Rooms	€4k - €5k 8 Yrs. 10,000 Rooms

€k: CapEx Investment per Room Yrs.: Age (years) | Rooms: Estimated Rooms to be renovated

Source: Deloitte

EXECUTIVE SUMMARY



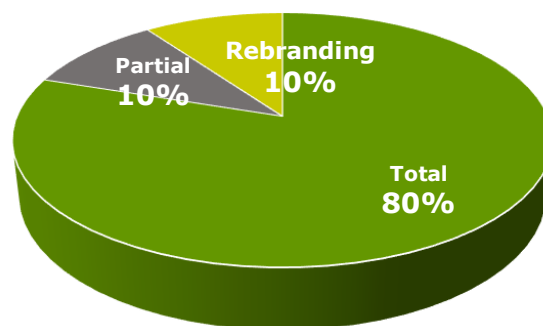
Refurbishment trend has experienced significant turnaround from usual **corrective CapEx** to **Smart CapEx**, which anticipates and focuses the investment in the pursuit of satisfying today's demanding customers in a strong competitive context.



Spain: Understanding 2017 Refurbishments

2015-2017 have been key years for refurbishments. This trend is set to stabilize from 2019 onwards.

2017 Refurbishments



124 hotels

▼ -38% 16-17



17,293 Rooms

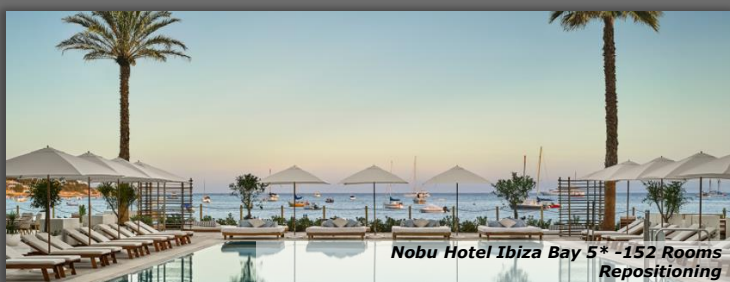
ACTIVE PLAYERS



Top 5 Refurbishment in 2017

1	Alua Soul Palma		Palma (Balears, Illes)	Alua Hotels & Resorts	4*	127 rooms	Rebranding
2	Hotel Riu Vistamar		Las Palmas (Canary, Illes)	Riu Hotels & Resorts	4*	475 rooms	Total (Rooms & Common Areas)
3	W Barcelona		Barcelona (Barcelona)	Marriot International	5*	473 rooms	Total (Rooms & Common Areas)
4	Barceló Sevilla Renacimiento		Sevilla (Andalucía)	Barceló Hotel Group	5*	295 rooms	Total (Rooms & Common Areas)
5	Iberostar Anthelia		Tenerife (Canary, Illes)	Iberostar Hotels & Resorts	5*	365 rooms	Partial (Rooms Refurbishment)

EXECUTIVE SUMMARY



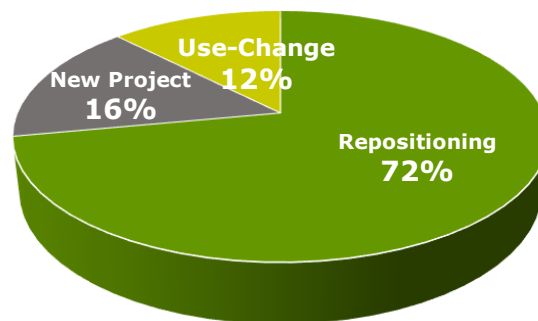
2017 Hotel Openings and full Repositioning consolidated a positive growth, while **Hotel Refurbishments** reached cruising speed after a strong rebound in 2015-2016.



Spain: Understanding the 2017 New Openings

New Openings rebounded, while **Refurbishments** followed the path set up during the 2015-2016 period

2017 New Openings



74 hotels

▲ +37% 16-17

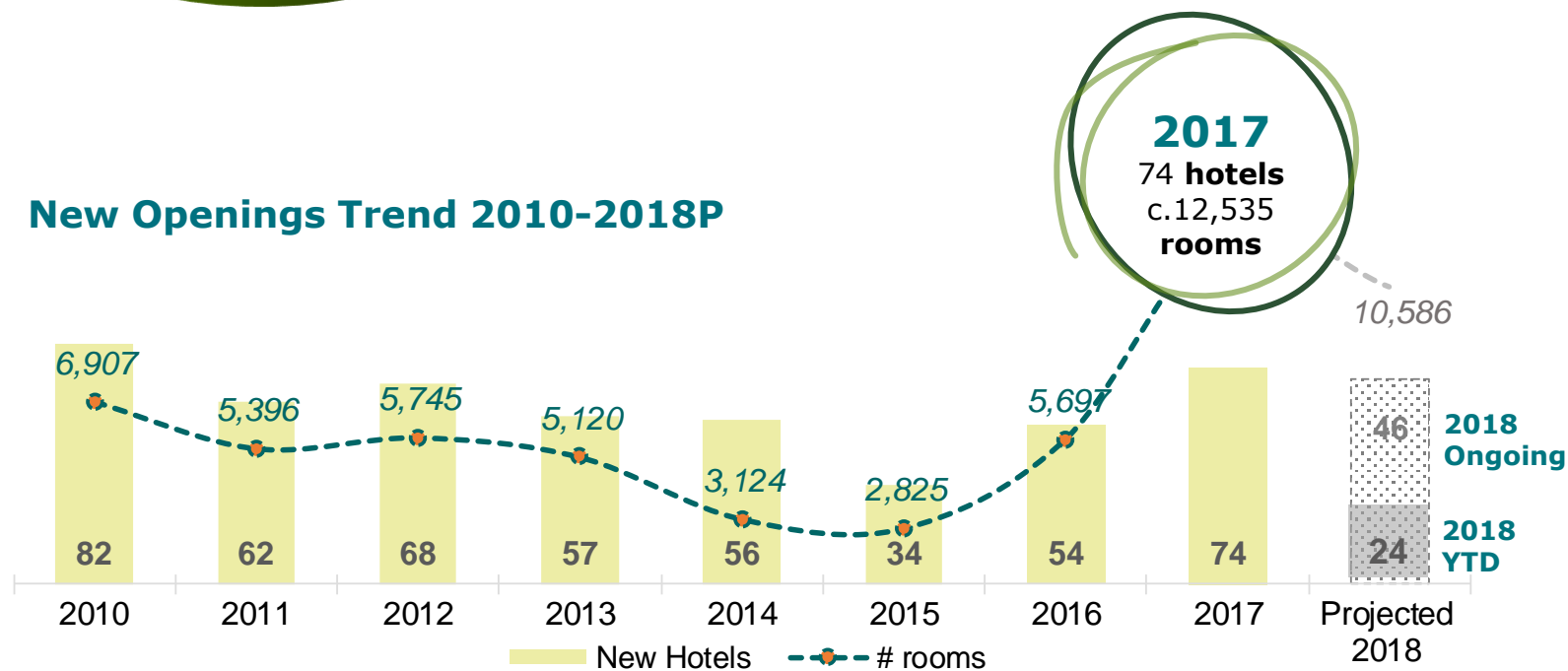


12,535 Rooms

Last arrivals...

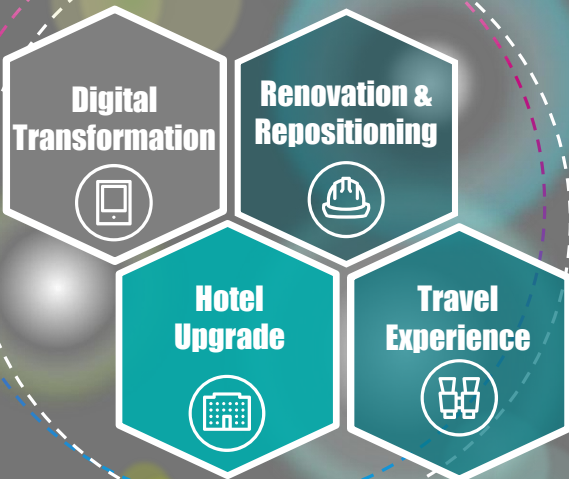


New Openings Trend 2010-2018P



EXECUTIVE SUMMARY

Keys to success:



Source: Deloitte

2017 Hotel Openings and full Repositioning consolidated a positive growth, while **Hotel Refurbishments** reached cruising speed after a strong rebound in 2015-2016.



Spain: Understanding of the 2018-2021 Future Supply

Why **Canary Islands** is expected to remain inactive in the long run?

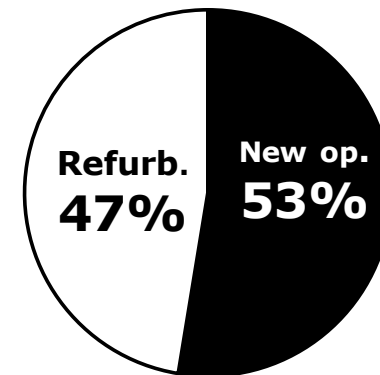


**2018-2021
New Hotel
Openings
& Refurbishments**



**173
hotels**

**30,600
Rooms**



**130 hotels
22,373
rooms**

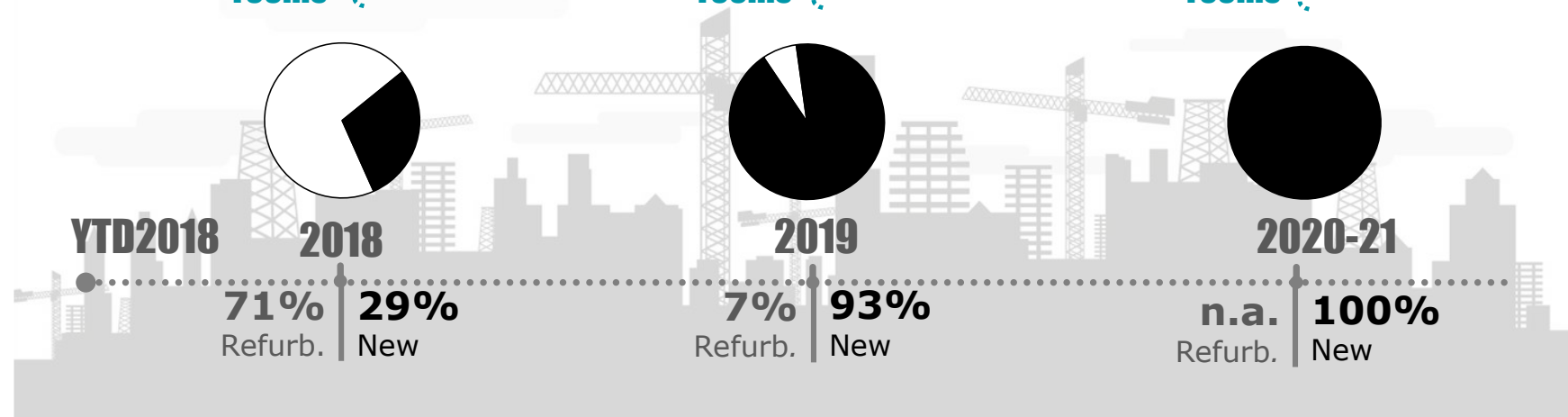
29% Balearic I.
20% Canary I.
16% Andalusia
13% Catalonia

**22 hotels
3,328
rooms**

56% Madrid
21% Andalusia
17% Balearic I.
2% C. Valencia

**21 hotels
4,894
rooms**

48% Andalusia
24% Madrid
15% Canary I.
8% Balearic I.



Source: Deloitte, Alimarket

EXECUTIVE SUMMARY



So far Equity Investment is here to stay

Hotel Properties investment is growing rapidly under a challenging turnaround context

Hotel Properties investment volume **increased by 44%**, while total Commercial Real Estate **decreased by 13%**. Investment in this asset class is expected to keep an upward trend driven by RevPAR and NOP further growth.

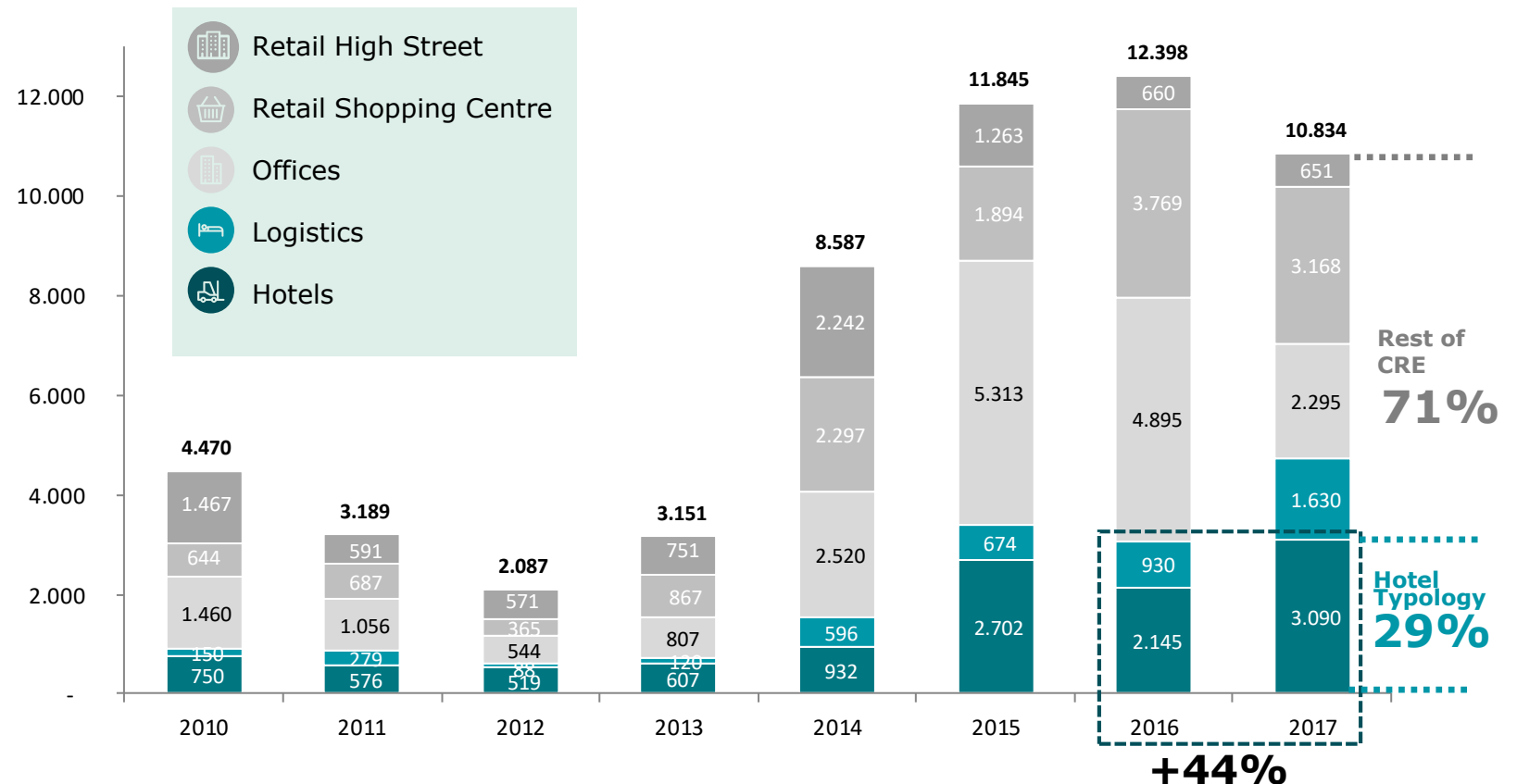
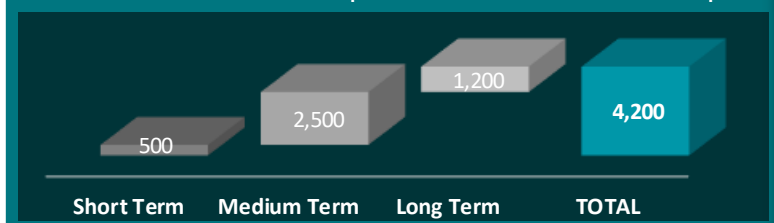
Top 10 Spanish transactions:

Top 10 Spanish Hotel transactions accounted for **87%** of total hotel investment volume.

Asset	Price (€m)	Rooms
Halley Portfolio	631	3,709
Edificio España	272	589
Starmel Hotels JV (4 Hotels)	230	2,068
Bay hotels (24%)	172	7,570
Hotel Villaitana	114	455
Lopesan (3 Hotels)	104	856
Intertur Hotels (5 Hotels)	100	1,126
Sol Príncipe	89	799
Hotel Silken	80	240
Hilton Diagonal Mar Bcn (55%)	80	461
Top 10 Total	2,637	20,552

Source: Deloitte

A total pipeline investment volume of **€4,200m** is expected to be traded in Spain



Source: Deloitte

EXECUTIVE SUMMARY

MAIN DRIVERS FOR THE INCREASING LENDING DEMAND

MACROECONOMIC ENVIRONMENT

- Improvement of fundamentals
- Monetary Policy: QE, low funding costs, etc.

FINANCIAL SECTOR

- Restructuring of the Financial Sector
- P&L reconstruction

REAL ESTATE INVESTMENT MARKET

- Excess of Liquidity: Increase in transactions
- Entry of new sponsors
- Alternative to the fixed income / bond yields

Source: Deloitte

Development loans:

Traditional lenders are coming back

Senior Debt:

- Yielding assets: gathering momentum



Lenders are underpinning investment

But... is the crisis lesson learned?

Main Conditions

	2013-14	2015	2016	2017	2018YTD
Framework Credit Access Constraints Financing Upturn					
Main Players Institutional Investors / Debt Funds Banking / Insurance Companies Alternative lenders					
Upfront Fee	150-250bps	125-175bps	100-150bps	90-150bps	75-150bps
Spread	225-400bps	200-250bps	175-225bps	150-225bps	135-225bps
LTV ⁽¹⁾	45-50%	45-55%	50-60%	50-65%	50-60%
Balloon ⁽²⁾	60-80%	65-100%	70-100%	70-100%	70-100%

(1) Sustainable LTV to face the debt service with high funding costs (A bigger LTV will mean a bigger debt service)

(2) Balloon needs to cover the high funding costs during the loan's life. (a smaller balloon will mean a bigger annual debt service).
Estimated balloon for a 5-7 years loan.



Location, category, performance, type of operating contract (including mandatory period duration) and **hotel brand** have a significant impact on financing terms.

Source: Deloitte

EXECUTIVE SUMMARY

Drivers of the increase in cross-border investment:



1>

Yielding Real Estate is still more attractive than Investment Grade Bonds



2>

Yield compressions in most of the countries led to a significant growth of capital values



3>

Accessibility to credit and more attractive financing conditions



4>

Political and financial uncertainty in certain regions of Europe, but markets still responding well.

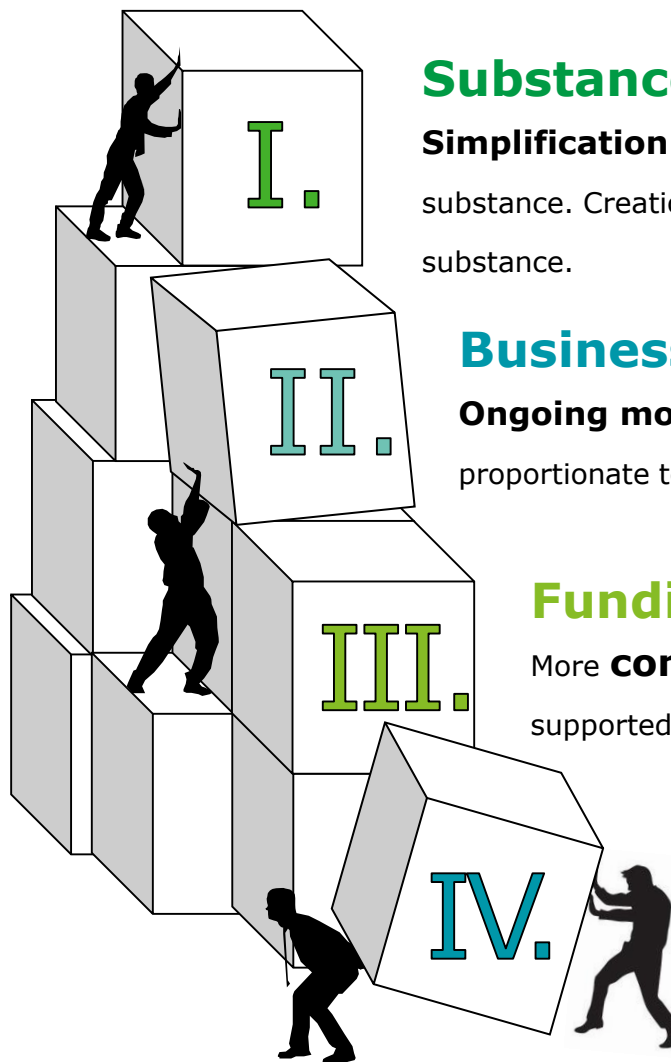
Source: Deloitte

Tax advisory is still key to a successful exit.



A more defensive tax environment

BEPS are making an impact on tax structuring strategies



Substance concentration

Simplification of holding structures as a way to concentrate substance. Creation of **investment platforms** with qualified personnel and substance.

Business rationale

Ongoing monitoring and support of tax benefits being proportionate to business reasons deriving from the structure.

Funding structure

More **conservative funding structures** with SHLs duly supported by complete TP documentation.

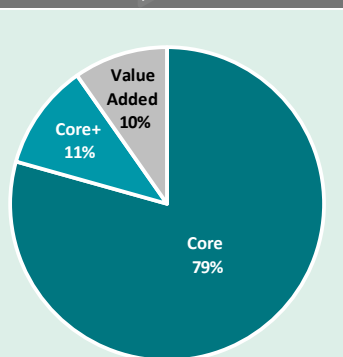
Withholding taxes

Reinforced substance at platforms as to facilitate dividend WHT. Back-to-back borrowing to be avoided.

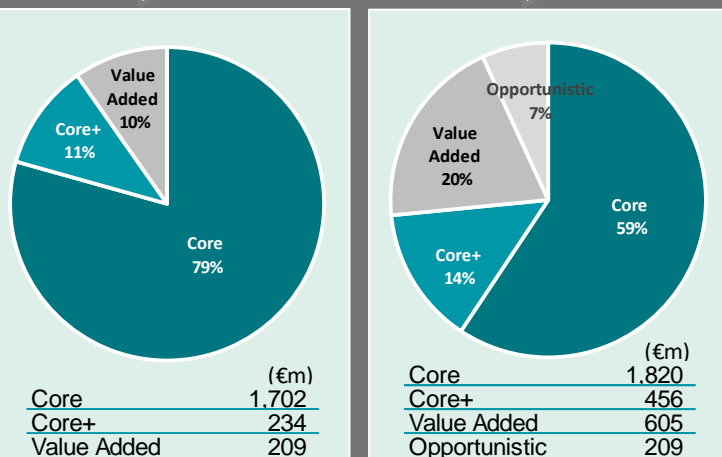
EXECUTIVE SUMMARY

CORE PROFILE DOMINATES:

2016



2017



	(€m)
Core	1.702
Core+	234
Value Added	209

	(€m)
Core	1.820
Core+	456
Value Added	605
Opportunistic	209

Source: Deloitte

Most active players
expected to stay active in
2018:



Who is Who: The main Players

A new competitive map for a wide variety of **value creation strategies**

Equity OUT



Equity IN



Main Chains



Debt Providers



NPL – DPO Specialists



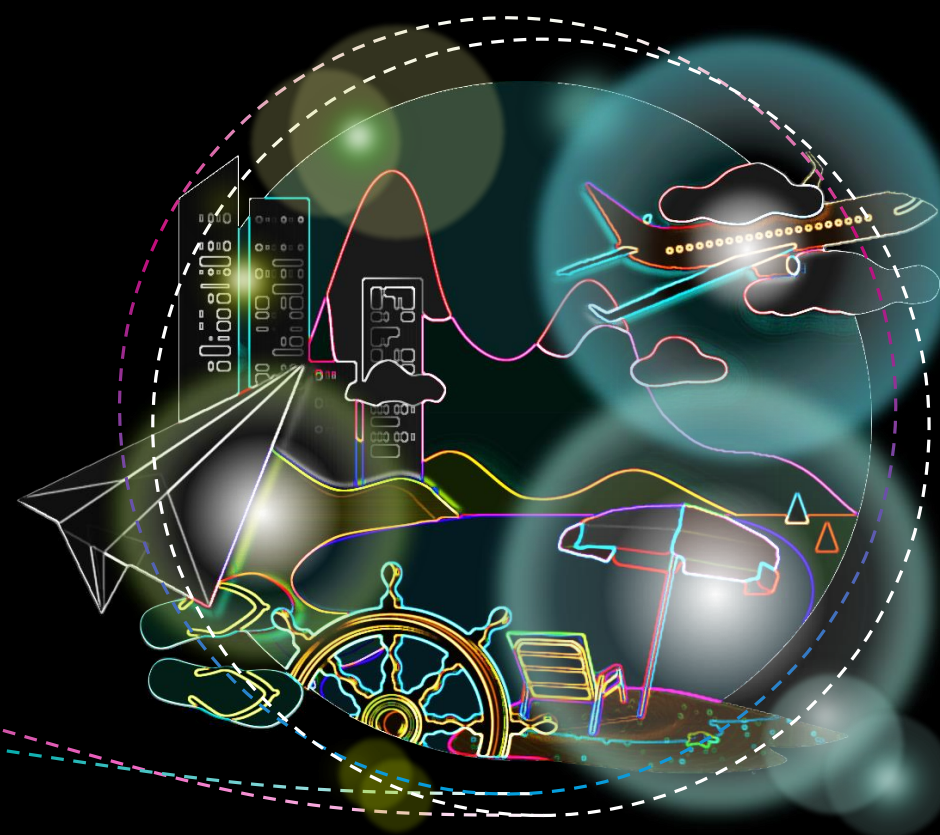
Source: Deloitte

For further information...

Request the Expanded Edition

Contents (225 pages):

1. **Macro economic** overview related to the Tourism Industry and Hospitality Activity.
2. **European Hotel Properties** market understanding and key data.
3. **Spanish Hotel Properties** market understanding and key Supply & Demand data, main openings and refurbishments, future openings pipeline 2018-2021.
4. **Hotspot In Depth Analysis**
 - (i) **Vacational Hotspots** (analysis by coast): Andalusia, Catalonia, Community of Valencia, Balearic Islands, Canary Islands.
 - (ii) **Urban Hotspots** (analysis by city): Malaga, Sevilla, Barcelona, Valencia and Madrid.
5. **Key to Success and Upcoming Challenges** (Uncertainties and Opportunities)
6. Hotel Properties **investment share** and transactions pipeline in Spain.
7. Hotel Properties **financing market** main drivers.
8. Detail of **most active players** and key **financial terms** offered.
9. Hotel Properties **key investment factors**.



To request the expanded edition, **please contact Esther Sanchez**, email: esanchezmartinez@deloitte.es, telephone number: +34 911578354

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The Hotel Property Handbook 3.0 Spain 2018

#TheHotelPropertyHandbook

www.deloitte.com/es/financial-advisory/the-hotel-property-handbook

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